

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** July 3, 2008  
**POSITION:** Oppose

**BILL NUMBER:** SB 1355  
**AUTHOR:** E. Corbett  
**RELATED BILLS:** AB 2876

### **BILL SUMMARY:** Postsecondary Education: Private Student Loans

This bill would require all California public or private postsecondary institutions to include specific information to distinguish private loans from federal loans in the financial aid materials they distribute to students applying to or enrolled at their institutions, and in private loan applications they may provide. In particular, the bill would require higher education institutions to state information on the differences in costs and terms between private and federal student loans and the availability of federal loans. For any institutional financial aid package that includes a private loan offered by that postsecondary institution, the institution would be required to provide specific details on the interest rates and fees charged on the private loan. Campuses that provide a private loan lender list to students would be required to provide general information on the terms of the loans available through such lenders and disclose the reason each lender was included on this list.

This bill would apply to the Regents of the University of California (UC) only if the Regents adopt a resolution to do so.

### **FISCAL SUMMARY**

Both UC and the California State University have indicated that this bill would have only minimal cost impacts to implement, as both segments already comply with most if not all of the bill's provisions. In general, neither institution offers private loans directly to students.

According to the Chancellors office of the California Community Colleges (CCC), costs to implement this bill would be minor and absorbable. However, the Department of Finance (Finance) notes that this bill could result in significant reimbursable local mandated costs on the CCCs to comply with the provisions of the bill. These costs could range from the low \$100,000s to low millions statewide.

### **COMMENTS**

Finance is opposed to this bill for the following reasons:

- It could impose reimbursable local mandated costs of up to the millions of dollars for the CCCs to implement the bill's provisions.
- Finance notes that this bill would make disclosure about the availability and terms of private and federal loans the responsibility of postsecondary institutions, rather than the lending institutions themselves. Many private student loans are provided directly from the lender to the borrower, with no involvement of campus financial aid offices.
- Federal legislation has been introduced (House Resolution 890, 2007 and Senate Bill 486, 2007, both referred to as the Student Loan Sunshine Act) to require private educational lenders to inform borrowers of the following: that they may qualify for federal educational assistance; that federal student loans may have more beneficial terms than private loans; and where to obtain additional information.

Analyst/Principal (0384) S. Swan	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

<b>AUTHOR</b>	<b>AMENDMENT DATE</b>
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**Form DF-43**  
**BILL NUMBER**

E. Corbett

July 3, 2008

SB 1355

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
6440/UC	SO	No		-----	No/Minor Fiscal Impact	-----			0001
6610/CSU	SO	No		-----	No/Minor Fiscal Impact	-----			0001
6870/Comm College	LA	Yes		-----	See Fiscal Summary	-----			0001
6870/Comm College	SO	No		-----	No/Minor Fiscal Impact	-----			0001